

between prices indicates how volatile the price of a particular share is.

- Column 7 shows PRICE EARNINGS RATIO (PER) expressed in units of "times". This is a commonly used market value measure that indicates the number of years required for an investor to recover the current market price of the shares. It is calculated by dividing current market price (i.e. Last Sale Price) by Earnings Per Share (EPS). EPS is calculated by dividing net profit after tax by the number of shares and indicates potential distribution of income. The higher the EPS, the lower the PER. A low PER may indicate that the share price has not grown as much as earnings so a rise may be expected. You should therefore check the company's EPS trend over the last few years and its EPS projections to see if the low PER indicates undervaluation by the market. A zero PER means there are no earnings for the company yet. A negative PER means the company has incurred losses.
- Column 8 shows DIVIDENDS PER SHARE (DPS), the payment of the company's annual profits to shareholders on a per share basis.
- Column 9, DIVIDEND YIELD (DY), shows the latest annual dividend payout as a percentage of the Last Sale Price. This is a theoretical "income return" on the share assuming the current dividend rate is continued. DY is calculated by dividing DPS by the current market price of the share.
- Column 10, MARKET CAPITALISATION, shows the market value of the company, calculated by multiplying the last sale price by the number of shares on issue. Information on the number of ordinary shares issued is available in the company's annual report.

■ Take a Long Term View and Monitor the Shares Regularly

Once you invest, remember to monitor your investment regularly. Research has shown that the amount of time you hold onto your shares and stay "in" the share market is much more important than the time you actually enter the market. Take a long-term view to ride out the peaks and troughs. Short-term falls in share prices are part and parcel of investing in the share market. Knowing how to read those falls is important.

■ Watch out for Falling Share Prices

There are two levels of influence usually affecting the movement of share prices. The first is the overall economic climate. The level of interest rates, currency fluctuations and the general level of confidence affect share prices.

Then there are company-specific factors affecting each share. Factors such as cash flow, strength of management, history of the company, competition and the level of debt affect the company's performance.

Whenever a share price falls, shareholders should go back and review the fundamentals of the company. Decide whether the price drop is related to general or

company-specific indicators. The most important question for investors to ask themselves is whether this fall changes their overall view of the company. Have a look at whether shares across the board have been affected to the same extent. If your outlook for the shares has changed, take your losses quickly. Timing is very important when buying and selling shares. Buy before others decide to buy, sell before others decide to sell.

"Never put all your eggs in one basket"

Diversification or "not putting all your eggs in one basket" can also help you reduce the risk of investing in shares. Different asset classes (cash/shares/bonds/property) perform differently in response to different events. This means that they don't move up and down at the same time. The same happens within an asset class. In the share market, individual companies will perform differently at different times. By buying the shares of different companies you reduce your risk. Your losses from companies whose share prices are falling can be compensated for by gains in companies whose prices are rising. So if you have money to invest it's not wise to buy just one company's share. You're better off buying a selection.

Bear in mind that some high-risk investors looking for extraordinary gains may not want to diversify away their risk. If you don't have the time or the money to buy a diversified range of shares then you may want to consider buying units in a unit trust that invests directly in shares.

Remember its Your Choice

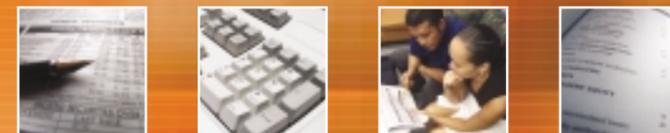
Share information is published regularly in the newspapers, on the CMDA website and available from the SPSE. This includes the prices shares are selling for. If you are not sure, you can get advice from a licensed broker or investment adviser with experience in this area. The CMDA can give you the names of people to contact. Don't make a decision to buy or sell based on emotion. Think about what you want to do and why, study all the relevant information, get advice if you can and then decide. Buying - and selling - shares is about informed individual choice and responsibility.

The final investment decision must be yours based on all the information and advice you have received.

Disclaimer

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Choosing the right shares to buy is the key to successful share investment. This requires an understanding of the various characteristics of the company and matching them to your own investment objectives. This process often involves ratio analysis and consideration of both quantitative and qualitative factors.

choosing the right companies to invest in is the key

Choosing the RIGHT SHARES

picking the shares yourself gives you the chance learn how it works



Detailed analysis is beyond the scope of this leaflet - your broker or investment adviser would be in the best position to help you. However, to get you started, we provide some basic information on what to look for when considering a share investment.

Understand Your Investment Objectives

As with all investment decisions, you must first understand your investment objectives, including your risk and return preferences, timeframe, budget and the type of returns you are targeting (dividends, capital gains or both?).

Your choice of shares will depend on your objectives. Some shares are high-risk investments offering high returns, others are more stable and offer lower returns. Bear in mind though that as a general rule, shares are suited to long-term investors who are prepared to put up with short-term volatility in exchange for higher returns in the long-term. Seek professional investment advice from a broker or investment adviser if you are not sure. The CMDA can provide you with their contact details.

What is A Share Worth?

Price plays a critical role in your investment decision. But how much should you pay? Conceptually, the value of a share should reflect all the future benefits you will receive since you buy an investment for its future income, not what was paid in the past. Past performance is used only as a guide to the shares likely future performance. As a rule, the greater the potential income, the more someone will pay for the investment.

You therefore need to relate company performance to the current market price of the shares. Using other per share data is also helpful for relating performance to price e.g. take a close look at dividend per share, net tangible assets per share, dividend yield and price earnings ratio. The box below explains this further. Generally, if the market price is below the value of the share it represents a buying opportunity and if the market price is higher than the share's value, it is overvalued and represents a selling opportunity.

How do I Assess the Company's Performance?

To assess the future potential of a company including its profitability, you need to do some research into the company. Things to consider include:

- Historical and forecast financial performance. This would typically involve an analysis of the company's financial ratios to determine trends and compare with other companies and industries. Important ratios include working capital ratios (e.g. debt to equity and net interest cover), profitability and return ratios (e.g. return on equity and return on assets) and earnings per share and other market performance ratios (e.g. price earnings ratio (PER), dividend yield and net tangible assets per share). Please consult your financial or investment adviser if you aren't sure how to do this.
- The CMDA has calculated many of these ratios for the listed companies and you can get these from our website www.cmda.com.fj. You can also get summaries of the listed companies historical financial information from the CMDA website.
- Current and potential market share.
- Competitiveness of the company's products and/or services.
- Quality of management including qualifications, experience and reputation.

- Any advantages that are difficult for competitors to duplicate, such as economies of scale, "secret" processing methods, strong research and development or hard-to-copy products.

Information that will help you analyse a company, including the points outlined above, can be obtained from a number of sources:

- Annual and six monthly reports issued by companies. Companies listed on the South Pacific Stock Exchange (SPSE) are required to produce these for public information.
- Stockmarket reports and other business articles in the media.
- SPSE announcements.
- Research reports published by brokers and investment advisers.
- Prospectuses, information memoranda or offer documents issued by companies that make offerings of securities to the public.
- CMDA material. The CMDA publishes material that can assist investors, including:
 - The CMDA Website (www.cmda.com.fj), which provides a wealth of information on the capital markets in Fiji including share trading statistics, company financial statements and market announcements.
 - The CMDA quarterly newsletter "Capital Market Update"
 - The "Investing in Shares" booklet (English and Fijian)
 - Various "Frequently Asked Questions" leaflets

What to Look for in the Company's Annual Report?

The listed companies must make their annual reports available to the public. The SPSE or the company should be able to provide you with a copy. A typical company annual report includes:

- A section outlining the company's philosophy or comments on how it does business;
- Details on each section of its operations revealing the strengths and weaknesses in management and products and services;
- Audited financial information including profit and loss statement, balance sheet and statement of cash flows for the last financial year.

Read the annual report and use the information to help you build a picture of what can be expected from the company in the future. Pay particular attention to the following:

- **Management:** Look at the people in charge. Are they capable? Are the directors well regarded? Will they provide an objective voice in management?
- **History:** How old is the company? Does it have a history of consistent performance? Has it stayed in the same line of business or diversified? If diversified, is it successful in its new business?
- **Dividends:** Has the company regularly paid dividends in the past?
- **Debt:** What is happening to the company's debt levels? Companies in debt are not necessarily bad investments. Like individuals, companies generally borrow to increase their opportunities for profit. However, the level of debt should not exceed the assets of the company.

Competition: Look for companies that dominate the market or fill a niche in a bigger market. Large, established companies usually win out over smaller, new companies. New investors and new companies don't go well together. Compare how the company is performing against its competitors.

Risks: What are the company's major risks? Are these significant or can the company manage these well?

Next examine the figures in the financial statements to get an overall impression of the company's performance. Read what management has to say about the figures and the company's performance, go back and re-look at the figures and consider all the information to make your own evaluation.

Some questions to consider include:

- Did the company make a profit or loss last year? Is this better or worse than the previous year? What were the reasons for the changes?
- What's the dividend going to be? How does it compare to the previous year and the current year's profits?
- What is happening to the company's cash flows in the Statement of Cash flows? Is it generating cash flows from its operations? Compare this to the net profit figure reported. E.g. if cash flows are lower than reported profits the company may be having problems with debt collection.
- Is it using cash flows for investing activities? Is it replacing important assets? Check the trends.
- Look at the balance sheet. What does the company own and owe? Will there be trouble in meeting commitments?
- Assess all this information and use it to decide whether you should buy the company's shares, hold the shares that you own or sell the shares.

What is a Prospectus or Offer Document?

If a company is raising capital by offering its shares to the public for the first time, called a "public float" or "initial public offering (IPO)", it will issue a prospectus. If the company's shares are being offered to the public for the first time by a majority shareholder, the shareholder will issue an "offer document" or "information memorandum". The information in these documents will help you decide whether the company is suitable for you.

The prospectus or other offer documents must by law contain all the information that you or your advisers require to make an informed decision about the company's shares. It must also clearly disclose the risks of investing in that company. The information in these documents will be similar to the information in the annual report and financial statements. Check that the prospectus or offer document has been made effective by the CMDA and registered by the Companies Office.

You must read the prospectus carefully and think carefully about the things it says and doesn't say. Assess the potential of the company. Consider the following:

- If the prospectus or offer documents contains forecasts, understand the assumptions used
- Make sure you understand how the company will be listed on the stock exchange and how the shares will be allotted by the company and traded
- Check to see if the company is raising any money in the float and what it will be used for.

What Should I Remember to Do?

Once you have bought your shares you should keep in mind the following:

Keep Yourself Updated

Newspapers regularly publish stockmarket reports providing information on trading on the stock exchange. This report can be a very useful source of information for investors. Use the report to see what other investors think about the company. Let's take a closer look at the basics of the report.

Securities	Movement	Last	Volume	Closing Quotation	52 Weeks Low	52 Weeks High	P/E	Dividend	Market Value
Atkins & Pacific Packaging Co.		\$0.00	10,000	\$0.00	\$0.00	\$0.00	-	0.00	\$0.00
Carbon Release (P) Limited		\$0.00	10,000	\$0.00	\$0.00	\$0.00	-	0.00	\$0.00
Commerce Bank (P) Ltd		\$1.00	10,000	\$1.00	\$1.00	\$1.00	10.00	0.00	\$10.00
W. G. Holdings (P) Limited		\$0.00	10,000	\$0.00	\$0.00	\$0.00	-	0.00	\$0.00
Fiji Newsprint Limited		\$0.00	10,000	\$0.00	\$0.00	\$0.00	-	0.00	\$0.00
Real Estate (P) Limited		\$0.00	10,000	\$0.00	\$0.00	\$0.00	-	0.00	\$0.00
Fiji Sugar Corporation		\$0.00	10,000	\$0.00	\$0.00	\$0.00	-	0.00	\$0.00
Applied Green Industries (P) Ltd		\$0.00	10,000	\$0.00	\$0.00	\$0.00	-	0.00	\$0.00
Pacific Cement (P) Ltd		\$0.00	10,000	\$0.00	\$0.00	\$0.00	-	0.00	\$0.00
South Pacific Fisheries Ltd		\$0.00	10,000	\$0.00	\$0.00	\$0.00	-	0.00	\$0.00
World Resources Corporation		\$0.00	10,000	\$0.00	\$0.00	\$0.00	-	0.00	\$0.00
Worldwide (P) Limited		\$0.00	10,000	\$0.00	\$0.00	\$0.00	-	0.00	\$0.00

Securities	Movement	Last Sale Price	Volume	Closing Quotation

- Column 1 lists the SECURITIES traded on the exchange, i.e. the listed companies. PAR VALUE (also called face value, nominal value or stated value) refers to the price at which the company's shares were first issued. Par value has no relation to the current value of the shares.
- Column 2 shows MOVEMENT, indicating the change in price from the previous Last Sale Price. A positive/negative movement means a price increase/decrease. A "zero" movement means no change in price but does not necessarily mean that no shares were traded (see column 4).
- Column 3 shows the LAST SALE PRICE i.e. the current value of the shares.
- Column 4 shows the VOLUME TRADED i.e. the number of shares traded.
- Column 5, CLOSING QUOTES, shows any remaining buying and selling interest registered for a share. The BUY column shows the highest price at which investors are willing to buy shares while the SELL column shows the lowest price at which investors wish to sell.
- Column 6, 52 WEEKS LOW & HIGH, shows the lowest and highest prices of the share in the last 52 weeks. It is useful to see if the Last Sale Price is nearer to the HIGH or the LOW of this range to help you make a decision on whether to buy, hold or sell the shares and at what price. The range

Choosing Shares